GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1010
ANSWERED ON:19.07.2002
INIDIAN ECONOMY
IQBAL AHMED SARADGI

Will the Minister of FINANCE be pleased to state:

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(a) Whether according to Center for Monitoring Indian Economy, India`s trade deficit is likely to touch $ 15.4 billion during 2002-03;

(b) if so, whether in its latest review of the Indian economy, CMIE has pointed out that on payments basis, the trade deficit would be higher because defence spending was likely to increase during the year;

(c) if so, the other conclusions made and steps suggested by the CMIE; and

(d) the reaction of the development thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANT G. GEETE)

(a)& (b): Yes, Sir. The Center for Monitoring Indian Economy (CMIE), in its latest monthly review of Indian economy (June 2002) has projected a likely rise in trade deficit to $15.4 billion during 2002-03 as against the $12.5 billion (estimated) in 2001-02. Higher defence spending has been suggested as one of the reasons for such a likely rise in trade deficit.

(c) The review concludes that political and military posturings by India and Pakistan have vitiated the economic environment in the sub- Continent thus affecting the investment climate in the region. Such Political belligerence may affect adversely trade and investment in India, thus impacting upon broad economic parameters like the Gross DomesticProduct, Current Account Deficit and Gross Fiscal Deficit.

(d): There is no reason to have undue concern about India`s balance ofpaymnents situation which remains comfortable. India had a surplus of US $1.35 billion amounting to 0.3% of Gross Domestic Product in 2001-02.As per the latest information merchandise imports in terms of US Dollars declined by 3.7% in April-May 2002 over April-May 2001 and our trade deficit declined significantly from US$2024 million in April-May 2001 to US$995 million in April-May 2002.Our foreign exchange assets (excluding gold and SDRs) stood at $55.5 billion ason the 12th July, 2002 and are sufficient to cover 11 months of imports in 2002-03. However, suggestions made by the researchers and associations are kept in view by the Government in formulation of appropriate policies and measures.